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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA — DESP. NO. 1078

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE June 5, 1953

REF : - F790004-1274

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SUBJECT: WEEKA NO. 23 - ECONOMIC SECTION

Direction to DC/R File

SECTION II

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Business activity continued to be slow in May. Sales of heavy agricultural and industrial equipment and general hardware and building items remained at a very low point and consumers lines showed little improvement over April. Trade sources stated that Guatemalan farmers and manufacturers had given no indication that they were planning to resume investment expenditures, which declined sharply when the Agrarian Reform Bill was sent to Congress in May 1952 and that last week's Congressional debates on tighter urban rent controls (WEEKA No. 22) led to further decline in the already depressed private building field.

Inter-American Highway and Economic Development

Col. Carlos ALDANA Sandoval, Minister of Communications and Public Works, announced this week that pending conclusion of negotiations with the United States for the renewal of financial assistance for construction of the Inter-American Highway, Guatemala had made plans to resume work on the project next month with its own resources. He said that $2,600,000 was included in the 1953-4 budget bill for extending the existing paved road leading south from Guatemala City as far as Barbarena, 30 miles from the capital, and that men and machinery had already been allotted for the job.

Col. Aldana also stated that on April 13 the Government had contracted with the Westinghouse Corporation for a study to be completed in six months for the projected 28,000 kw. hydroelectric plant at Jurún and that

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Westinghouse technicians had already inspected the proposed site. He said that the results of the survey would serve as a basis for the immediate opening of competitive bidding on the equipment and on the construction itself, which he estimated would take four years.

The press reported that the contract with the Morrison-Knudsen Company to build port and dock facilities at Santo Tomás has not yet been signed. Although the Cabinet had approved a contract on April 1 (WEEKA No. 14), the Company had not yet assented to the conditions proposed by the Government.

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It will be recalled that important elements of the Government's economic development plans would seriously affect the operations of United States firms in Guatemala: some of the principal proposed highways would parallel the lines of the International Railways of Central America (IRCA); the port at Santo Tomás would compete with the IRCA-owned docks at nearby Puerto Barrios; and the hydroelectric station would allegedly divert the water supply from two Empresa Electrica plants. Emphasizing that aspect of the program, the pro-Government, pro-Communist Nuestro Diario commented this week that the new Government power plant would provide a great impulse for Guatemalan industry, "which now suffers from the poor and expensive service supplied by the Empresa Electrica, which is in the hands of foreigners who care little or nothing about the economic development of the country".

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Agrarian Reform

The National Mortgage Bank (CHN) in a widely-publicized ceremony this week made a $14,000 loan to 179 new landholders at the National Farm Cuyuta in the Department of Escuintla. Cuyuta, formerly owned by ex-President UBICO, has been managed by the Production Development Institute (INFOP) and the 47 tractors and other equipment there will reportedly be available for the use of the small farmers.

Congress adjourned its regular session without taking action on the bill providing for establishing a National Agrarian Bank (BAN) but announced that the measure would

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be on the agenda of the special session tentatively scheduled to begin June 8. The bill was sent to Congress on February 18 accompanied by a request from President ARBENZ that it be approved immediately (WEEKA No. 8). The sole official explanation for the delay has been that Congress has been fully occupied with consideration of the 1953-4 budget. The only reported proposal to amend the Executive's project was one suggested by the Finance Committee of Congress, which would exempt the BAN from the restrictions placed on ordinary credit operations by the banking laws and "prevent a possible future deviation by the bank from the general policy of the Government of the Revolution".

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